

Message Text

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ACTION EUR-06

INFO OCT-01 ISO-00 EB-05 DRC-01 RSC-01 /014 W

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R 121009Z MAR 74

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 1936

USDOC WASHDC

AMEMBASSY BUCHAREST

LIMITED OFFICIAL USE VIENNA 2146

BEWT FOR RICE

E.O. 11652: N/A

TAGS: BEXP, ETRD, RO

SUBJECT: AMERICAN FIRMS COMPLAIN OF NEW ROMANIAN
TAX

1. VIENNA OFFICIALS OF SINGER AND IBM DOING EAST-WEST
TRADE HAVE EXPRESSED CONCERN OVER ROMANIAN DECREE NO.
276/1973 RELATING TO TAXATION OF SERVICES RENDERED BY
FOREIGN COMPANIES DOING BUSINESS IN ROMANIA. DECREE
ENTERED INTO FORCE ON JANUARY 1, 1974.

2. ROMANIAN FTO'S TOLD IBM DECREE REQUIRES ROMANIAN
BUSINESS PARTNER OF WESTERN FIRM TO WITHHOLD TAX FROM
AMOUNT CHARGED FOR SERVICES BY WESTERN FIRM AND PAY
WITHHELD AMOUNT TO GOR. IBM FEARS THIS TAX ALSO WILL
HAVE TO BE PAID ON CERTAIN SERVICES WHICH ARE NOT
SEPARATELY CHARGED FOR BUT ARE INCLUDED IN SALES
CONTRACT SUCH AS DOCUMENTATION, TRAINING OF PERSONNEL,
AND REPAIRS MADE UNDER WARRANTY.

3. SINGER REP SAID ITS FTO TRADING PARTNER RECENTLY
RAISED THIS TAX IN CONNECTION WITH FORTHCOMING SHIPMENT
OF SINGER INDUSTRIAL SEWING MACHINERY FROM SINGER
FACTORY IN ENGLAND. SINGER REP HAD IMPRESSION SINGER
MIGHT BE ABLE TO AVOID TAX BY SHIFTING SOURCE TO U.S.

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FACTORY BUT WAS NOT SURE. REP SAYS FIRM IS PUZZLED BY

THIS TAX WHICH IT WAS UNAWARE OF AND WOULD APPRECIATE
CLARIFICATION OF ITS TERMS, PARTICULARLY WHETHER IT
APPLIES TO CERTAIN SOURCE COUNTRIES AND NOT TO OTHERS.
SINGER ALSO ASKED IF THIS TAX MIGHT NOT BE
REGARDED AS DISCRIMINATORY BECAUSE IT HAS BEEN ENACTED
AFTER TRADING PATTERNS HAVE BEEN ESTABLISHED THROUGH
TOUGH NEGOTIATIONS. IN EFFECT THIS TAX IS A REVISION OF
STANDARD FORM CONTRACT TO DETRIMENT OF WESTERN FIRMS
WHICH NEGOTIATED EXISTING CONTRACTS IN GOOD FAITH.

4. COPY OF UNOFFICIAL TRANSLATION BEING AIRPOUCHED
EMBASSY BUCHAREST FOR BRAMANTE AND AIRMAILED USDOC FOR
RICE.

5. REQUEST EMBASSY BUCHAREST REPEAT MESSAGES THIS
SUBJECT TO EWTC.HUMES

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Message Attributes

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